

AGENCY NAME:

South Carolina Workers' Compensation Commission

AGENCY CODE:

R08

SECTION:



## Fiscal Year 2013-14 Accountability Report

### SUBMISSION FORM

#### AGENCY MISSION

*The mission of the South Carolina Workers' Compensation Commission is to provide an equitable and timely system of benefits to injured workers and to employers in the most responsive, accurate, and reliable manner possible.*

Please identify your agency's preferred contacts for this year's accountability report.

	<u>Name</u>	<u>Phone</u>	<u>Email</u>
PRIMARY CONTACT:	Mr. Gary Cannon	803.737.5744	<a href="mailto:gcannon@wcc.sc.gov">gcannon@wcc.sc.gov</a>
SECONDARY CONTACT:	Mr. Grant Duffield	803.737.5718	<a href="mailto:gduffield@wcc.sc.gov">gduffield@wcc.sc.gov</a>

I have reviewed and approved the enclosed FY 2013-14 Accountability Report, which is complete and accurate to the extent of my knowledge.

AGENCY DIRECTOR

(SIGN/DATE):

A handwritten signature in blue ink that reads "Gary M. Cannon".

(TYPE/PRINT NAME):

Mr. Gary M. Cannon

BOARD/CMSN CHAIR

(SIGN/DATE):

A handwritten signature in black ink that reads "T. Scott Beck".

(TYPE/PRINT NAME):

Mr. T. Scott Beck

## AGENCY'S DISCUSSION AND ANALYSIS

### Background

Established in 1935 as the South Carolina Industrial Commission, the South Carolina Workers' Compensation Commission strives to serve the needs and interests of employers and employees in the Palmetto State through the just administration of the South Carolina Workers' Compensation Act (the Act). Every South Carolina employer and employee, with certain notable exceptions, is presumed to be covered by the Act. Exceptions to this provision include railroad and railway express companies and employees, certain casual employees, Federal employees in South Carolina, businesses with less than four employees, agricultural employees, and certain real estate salespersons, and, by election, corporate officers. Through the Act, an employer's losses related to workplace injuries is limited to statutorily defined compensatory thresholds. In so doing, the Act establishes defined "loss parameters" that business can support while ensuring that workers in South Carolina receive quality medical treatment and compensated wages if injured in the workplace.

Employers covered by the provisions of the Act are required to maintain insurance sufficient for the payment of compensation, or they shall furnish the Commission satisfactory proof of their ability to pay the compensation in the amount and manner due an injured employee. The South Carolina Department of Insurance is responsible for approving rates and classifications for all workers' compensation insurers.

### ORGANIZATIONAL STRUCTURE

Workers' Compensation Commission has a total of 54 employees. 54 are FTEs of which 8 are unclassified; 46 are classified, and 2 Temporary.

The Commission consists of seven Commissioners appointed by the Governor with the advice and consent of the Senate for terms of six years. The Governor designates one commissioner as Chair for a term of two years. The Chair may serve two terms in a six-year period, though not consecutively. The Chair is the chief executive officer of the Commission and responsible for implementing the policies established by the Commission in its capacity as the governing board. Commissioners are responsible for hearing and determining all contested cases, conducting informal conferences, approving settlements, and hearing appeals. In their quasi-judicial role, Commissioners conduct legal proceedings throughout the state.

It is the responsibility of the Commission to administer the Act, found in Title 42 of the Code of Laws of South Carolina. In accordance with the Administrative Procedures Act, the Commission also promulgates rules and regulations necessary to implement the provisions of Title 42.

Section 42-3-90 of the South Carolina Code of Law stipulates that the administration of the Commission is conducted through the activities of three divisions; Coverage and Compliance, Claims and Statistics, and Medical Services. Functionally, the Commission's administrative duties are carried out by three line departments (Judicial, Claims and Insurance and Medical Services), and two support departments (Administration and Information Services). Each department is under the supervision of a director and may be organized into one or more operational divisions.

AGENCY NAME:

South Carolina Workers' Compensation Commission

AGENCY CODE:

SECTION:

The Administration Department is responsible for a variety of internal programs, including finance, budgeting, human resources, purchasing, inventory, facility maintenance, motor vehicles, mail and printing, office services, and affirmative action, as well as administrative operations of the Commission.

The Judicial Department is responsible for scheduling contested matters for hearing as well as scheduling informal conferences throughout the state. The department oversees the joining of issues for hearings as well as preparing the docket for Full Commission Reviews. Case preparation in anticipation for a hearing consists of reviewing pleadings, requesting additional documentation from the parties, preparing a case synopsis, and maintaining the docket for Full Commission Panel Appeals.

Administration and management of injury reports and any resulting claims are the responsibilities of the Claims Department. After an injury is reported to the Claims Department, claims personnel monitor its progress through the system. Individual case records are reviewed to ensure the requirements of the Workers' Compensation Act and the rules and regulations of the Commission are being observed. Conflicts of a non-judicial nature are often resolved in the Claims Department.

The Insurance and Medical Services Department is responsible for maintaining and monitoring workers' compensation insurance coverage records for all employers required to carry insurance under the Act, enforcing compliance with the Act, administering the workers' compensation self-insurance program, establishing payment systems and fee schedules for medical providers, and resolving disputed medical bills. The Coverage Division maintains insurance records for employers who purchase coverage from commercial insurance carriers. The responsibility for investigating uninsured employers to determine if they are subject to the workers' compensation law is the responsibility of the Compliance Division. Under certain conditions, South Carolina employers may self-insure against losses resulting from on-the-job injuries. Qualifying and regulating the self-insured employers is the responsibility of the Self-Insurance Division. The department's Medical Services Division is responsible for maintaining the fee schedule that regulates charges by doctors and hospitals and for approving various fees and charges in accordance with the established schedules.

The Information Services Department is responsible for the coordination and management of the flow of information throughout the Commission; responsible for all the data processing and information systems development and maintenance. The department also provides statistical reports and a framework for tracking data to each department. The IT staff is tasked with reviewing each area of the agency to ensure redundant systems and process are eliminated and work flow is streamline to maintain efficiency in meeting the agency's goals.

#### Goals of the Commission

The Commission has adopted four basic goals and implementation strategies to ensure the Mission is successfully accomplished on behalf of our stakeholders. The Commission considers stakeholders in the system to be those individuals, businesses, and other organizations participating and utilizing or otherwise involved with the system. These include, but are not limited to, employers, injured employees, insurance carriers, representatives in the legal community, and medical service providers.

The Commission's core values of competency, continuous improvement, professionalism, efficiency, employee development, stakeholder need awareness and cost effectiveness are engaged and leveraged throughout the organization in the support of this goal, to the benefit of the workers, employers and key

AGENCY NAME:	South Carolina Workers' Compensation Commission		
AGENCY CODE:		SECTION:	

stakeholders in the State.

To accomplish the Mission, the Commission has 4 goals:

1. Ensure statutory and regulatory requirements and agency policies and practices are implemented and applied in a fair and consistent manner to all system stakeholders.
2. Develop and propose reasonable policies and regulations to control the cost of workers' compensation in the State.
3. Interact and engage system stakeholders for feedback to improve efficiencies and effectiveness of system.
4. Adopt a continuous improvement program to enhance the effectiveness and efficiency of the Commission's business processes and procedures.

In order to pursue these goals, the Commission committed to build a culture of continuous review and improvement of policies, procedures and business practices; increased efficiency and effectiveness; and fairness and consistency. The Commission utilizes use of new Information Technology Management Systems to achieve many of the objectives that follow herein. Financial considerations and human resource capacity pose key strategic challenges to the organization as it seeks to deploy new information technology management systems. Our financial challenges mirror those of other public sector organizations; namely "how do we best leverage our limited resources to facilitate improvements for our stakeholders and those we serve"? New information technology systems allow staff to access and process data efficiently and effectively.

Internally, the strategic challenge arises with the adoption of the new processes by all segments of the business operation and the proper training of human resources to utilize the new process in the most efficient and effective manner. Deployment of the new IT initiatives is intended to reduce the fiscal burden of the workers compensation program on the business community, while continuing to provide excellent services to our customers. The organization expects to embrace and successfully address the fundamental resource challenges such deployment may generate.

Externally, the deployment of new information technology management processes will allow external business partners to interface with the Commission electronically for the submission of required data to meet legally imposed deadlines. The new electronic interface will allow business partners to be more efficient and reduce cost of operations by reducing expenditures for fines and assessments. As a substantial portion of the Commission's annual operating expenses are offset by the collection of such fines and assessments, the implementation of this information technology management system may create a strategic challenge for the Commission in future years.

#### MAJOR ACHIEVEMENTS

The Commission is committed to partnering with our stakeholders whenever possible to:

- Better understand the needs of our customers;
- Develop and employ strategies to meet the needs of our customers;
- Make the South Carolina Workers' Compensation process more user friendly, accessible and valuable/useful for our customers;
- Educate our customers as to the functions of the Workers' Compensation system; and
- Develop methods to better quantify the effectiveness of the Commission's processes and efforts.



AGENCY NAME:

South Carolina Workers' Compensation Commission

AGENCY CODE:

SECTION:

The agency's major achievements during the period covered by this report include:

- Partnered with private sector stakeholders to develop and implement enhancement to Verification of Coverage web portal to include registration for notification of mid-term cancellation of coverage to reduce insurance fraud.
- Partnered with stakeholder groups and amended the medical services fee schedule for ambulatory surgery to allow a special fee for surgically implantable devices in order to control medical cost to the system.
- Convened focus/advisory groups to provide stakeholder guidance on issues involving claims processing, medical services oversight, hearing processes, etc.
- Conducted continuing education on the use of eCase to stakeholder groups.
- Established a system to track number of days to complete review of contested medical bills.
- Upgraded Electronic Data Interface (EDI) system for reporting claims to Release 3 format
- Improved procedures to coordinate and schedule venues for single commissioner hearings and informal conferences with state agencies, local governments, and educational institutions. Added 21 available venues statewide.
- Conducted two Claims Administration Workshops for stakeholders in Columbia in November 2012 and May 2013. A total of 171 attended, including attorneys, adjusters and claims processes with insurance companies, third party administrators, employers and other stakeholders.
- Established system to process motions, mediation, and informal conference requests to track and monitor timeliness.
- Requested and received legislative approval of new regulations to implement mediation procedures for claims.
- Implemented Phase I of the system to allow receipt of electronic payments of registration fees for Commission sponsored seminar (CAME).
- Implemented use of information technology systems to improve the process for scheduling and serving proper notice for Compliance Show Cause Hearings.
- Established system to process motions, mediation, and informal conference requests to track and monitor timeliness.
- Continued implementation of process to scan and create an electronic image of incoming case file documents for electronic storage and access.
- Developed and implemented a data access web portal to refer claimants to SC Department of Vocational Rehabilitation.
- Requested and received legislative approval of statutory change to enact reliable funding source for Commission operations.

#### Financial Position

The Commission operations are funded by General Appropriations from the State and Other Earmarked funds received by the Commission for filing fees, violation fines, and a fifty percent of the Self Insurance Tax collected. The Commission's total annual operating budget was \$5.2 million, \$1.85 million from State Appropriations and \$3.37 million in Other Earmarked Funds. Due to projected decreases in operating revenues in the Other Earmarked Fund, the Commission was authorized to use \$951,066 of available fund balance. The actual use of fund balance was \$912,859, leaving \$346,458 at year end. Pursuant to Act 95 of the General Assembly the Commission was authorized to retain fifty

AGENCY NAME:

South Carolina Workers' Compensation Commission

AGENCY CODE:

SECTION:

percent of the Self-Insurance Tax collected. On June 30, 2014 the amount retained by the Commission was \$2.4 million.

### Summary of Revenues and Expenditures

Fiscal Year Ending June 30, 2014

	Budget	Actual	Realized (Unrealized)
<b>STATE APPROPRIATIONS</b>			
Authorized Expenditures	\$ 1,859,011	\$ 1,843,870	\$ (15,141)
<b>OTHER EARMARKED FUNDS</b>			
	Budget	Actual	Realized (Unrealized)
Revenues	\$ 2,421,000	\$ 2,306,249	\$ (114,751)
Authorized Expenditures	\$ 3,372,066	\$ 3,231,136	\$ (258,856)
Surplus (Deficit)	\$ (951,066)	\$ (924,887)	\$ (26,179)
Appropriated Fund Balance (Authorized)	\$ 951,066	\$ 924,887	

While measuring the success of a regulatory agency such as ours can prove challenging, cost and efficiency comparisons of Workers' Compensation programs between other southeastern States can help gauge the performance of the South Carolina Workers' Compensation Commission. The Following data has been provided by the National Council on Compensation Insurance (NCCI), a non-profit, nationally recognized Workers' Compensation insurance resource organization.

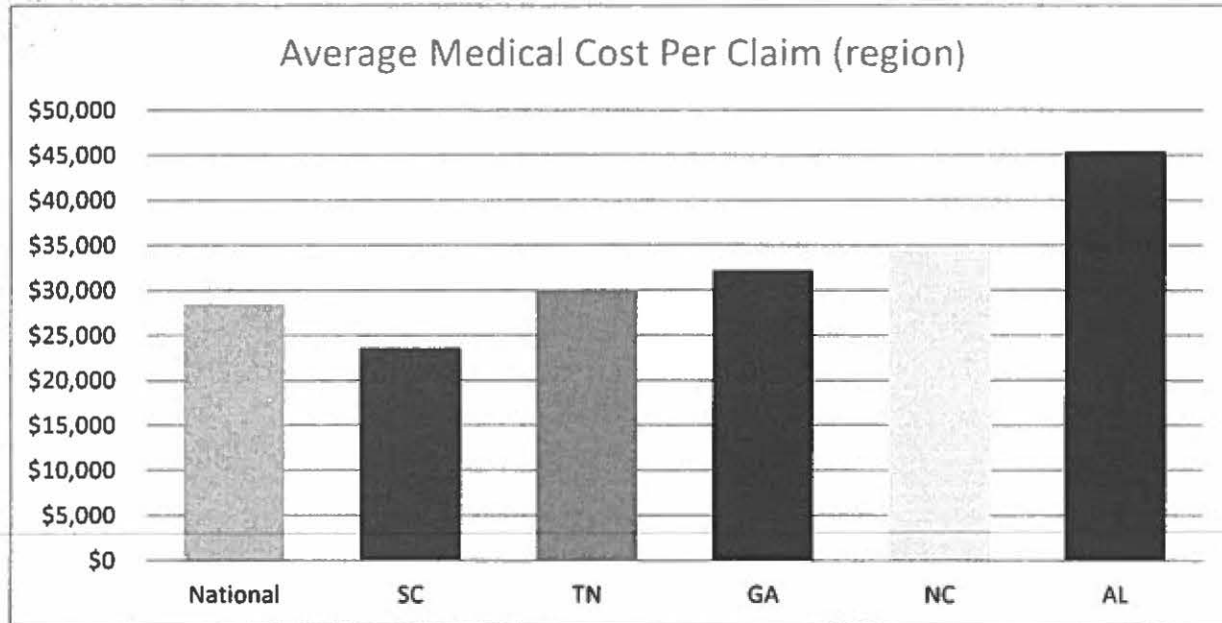
Approximately one-half of the cost all Workers' Compensation claims in South Carolina relate to medical fees and expenses. Through the Commission's use of tightly regulated fees schedules that limit compensation to medical providers, the Commission has been able to help reduce the effect of rising healthcare costs related to Workers' Compensation claims. The chart below reflects South Carolina's experience relative to other States in the region and the national average (2013 data).

AGENCY NAME:

South Carolina Workers' Compensation Commission

AGENCY CODE:

SECTION:



Agency Name: Agency Code: Section: Fiscal Year 2013-14  
Accountability Report

## Strategic Planning Template

Type	Goal	Item # Strat	Object	Description
G	1			<b>Ensure consistency and fairness in administration of Act</b>
S		1.1		<b>Allow customers to submit required forms and documents electronically</b>
O			1.1.1	<i>Implement SROI program by 7.31.2015</i>
S		1.2		<b>Allow customers to verify Commission's receipt of forms and documents</b>
O			1.2.1	<i>Implement web-based Receipt verification tool by 7.31.2015</i>
S		1.3		<b>Educate customers concerning Commission processes and procedures</b>
O			1.3.1	<i>Conduct 2 Claims Administration workshops for customers</i>
O			1.3.2	<i>Prepare Claims Administration instructional guide to website.</i>
O			1.3.3	<i>Issue regular (minimum monthly) "What's New" email blasts to list-serve recipients</i>
O			1.4.4	<i>Make instructional presentations to 3 stakeholder groups</i>
S		1.4		<b>Educate staff concerning proper administration of Act</b>
O			1.4.1	<i>Conduct 3 "refresher training" seminars for staff by 7.31.2015</i>
O			1.4.2	<i>Conduct 4 department specific informational briefings for employees</i>
O			1.4.3	<i>Hold 6 Department Head meetings</i>
O			1.4.4	<i>Hold 4 Executive Leadership Team meetings</i>
O			1.4.5	<i>Hold 6 All Employee meetings</i>
O			1.4.6	<i>Establish department training budgets</i>
-				
G	2			<b>Implementation of policies and regulations to control system costs</b>
S		2.1		<b>Maintain up to date medical fee schedules</b>
O			2.1.1	<i>Update Medical Services Provider Manual annually</i>
S		2.2		<b>Conduct Investigations to Compel Compliance with the Act</b>
O			2.2.1	<i>Conduct a minimum of 1,000 Compliance Investigations</i>
-				
G	3			<b>Ensure effective communication between Commission and Stakeholders</b>
S		3.1		<b>Implement and maintain information dissemination mediums</b>
O			3.1.1	<i>Conduct 2 Claims Administration workshops for customers</i>



Agency Name: Agency Code: Section: Fiscal Year 2013-14  
Accountability Report

## Strategic Planning Template

Type	Goal	Item # Strat	Object	Description
O			3.1.2	Maintain e-mail list-serve mechanisms
O			3.1.3	Maintain web presence with current, up to date content
O			3.1.4	Make instructional presentations to 3 stakeholder groups
O			3.1.5	Make presentation to general public / civic groups as necessary
S		3.2		<b>Interact with Stakeholders to determine communication needs and preferences</b>
O			3.2.1	Meet with Governor's Advisory Committee quarterly
O			3.2.2	Meet with Claims Adjustors focus group annually
O			3.2.3	Meet with Medical Services Advisory Panel annually
O			3.2.4	Constitute and convene stakeholder's focus groups as necessary
S		3.3		<b>Explore applicability of new communication techniques / mediums</b>
O			3.3.1	Implement annual "customer communication" survey among peer organizations
O			3.3.2	Query other state agencies concerning customer communication practices
G	4			<b>Enhance Commission business processes</b>
S		4.1		<b>Interact with Stakeholder groups to determine customer needs</b>
O			4.1.1	Meet with Governor's Advisory Committee quarterly
O			4.1.2	Meet with Claims Adjustors focus group semi annually
O			4.1.3	Meet with Medical Services Advisory Panel semi annually
O			4.1.4	Constitute and convene stakeholder's focus groups as necessary
S		4.2		<b>Research peer agency structures and processes</b>
O			4.2.1	Participate in professional association meetings and conference calls (SAWCA; IAI.
S		4.3		<b>Review process improvements through attrition/succession planning</b>
O			4.3.1	Develop 5 year financial resources and staffing plan
O			4.3.2	Develop 5 year process improvement plan.

Agency Code:  Section: 

### Performance Measurement Template

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Agency Name:	
Agency Code:	
Section:	

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